

( Report on Survey Conducted at Request of  
Administrative Improvement Research Commission)

## **Summary of Survey Report on Postal Service**

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## Preface

Under a contract signed with the Administrative Improvement Research Commission on May 1, 1967, the Korea Industrial Management Center undertook a survey and research project aimed at rationalizing the postal service system of the country for six months.

During the survey period a report on research activities was submitted monthly along with a monthly activities plan and a monthly report on activities.

Thanks to the unreserved cooperation of officials of the Ministry of Communications and the Postal Bureau, the Center has been enabled to compile and submit this report on postal service.

On the occasion of submission of this report, our gratitude is due to the Administrative Improvement Research Commission, the Ministry of Communications and the USOM for their cooperation in the survey project.

During the survey period the managerial standings, organization, finance, accounting, exchange savings deposits, insurance and other managerial fields were subjected to discrete and detailed survey. A vast quantity of reference materials was screened and evaluated before the presentation of 21 major problems and methods for their solution.

By means of the efforts mentioned above, improvement in postal service was sought and will continue to be sought in the future.

It will be our honor if the research efforts will bear the fruits of a better postal service system.

Lee Ung Keun  
Chairman of the Board of Directors  
Korea Industrial Management Center

PART I. GENERAL MANAGERIAL FIELD

Chapter I. Outline of a Postal Service

Section 1. Unique Characteristics of  
Postal Service

1. Objectives of Postal Service

The primary objective of postal service is to supply low-cost postal service to the general public speedily and correctly, thereby promoting public welfare.

2. Unique Characteristics of Postal Service

- a. Public nature of the service
- b. Large portion of personnel expenses in fixed expenditure
- c. Large managerial scale
- d. Transitory nature of service
- e. Fixation and centralization of capital
- f. Monopolistic character of service
- g. Prolongation of investment gestation period

Section 2. Outline of Postal Service

AD 487	Establishment of postal stations
AD 1149	Establishment of signal torch system
AD 1597	Establishment of express horse-relay system
AD 1884	Establishment of a general postal office
AD 1885	Establishment of a general telegraphic office
AD 1893	Establishment of a general telegraphic and postal office

- AD 1895      Establishment of a communications bureau under the Ministry of Agriculture, Commerce and Industry
- AD 1897      Participation in the International Postal Union
- AD 1900      Establishment of the Communications Center
- AD 1910      Establishment of the Communications Bureau of the Governor General's Office in Korea
- AD 1948      Take-over of communications system with the inauguration of the Government

### Section 3. Functions and Current Status of Postal Service

#### 1. Functions

The Minister of Communications controls functions relating to mail, telegraph, telephone, postal exchange, postal savings deposit, postal time and savings deposit and national life insurance (Paragraph 1, Article 35 of the Government Organization Law.)

#### 2. Organization

The Minister of Communications is assisted by the Vice Minister of Communications. The Ministry of Communications is composed of one Office, one Section and four Bureaus besides the Radio Control Bureau, the Telecommunications Office, the Communications Public Officer Education Center and the Telecommunications Technique Training Center which are under the direct jurisdiction of the Minister. There are also four Offices of Communications, two Savings Management Bureaus, one Savings Insurance Management Bureaus and four Radio-wave Surveillance Bureaus.

#### 3. Personnel

As of the end of June, 1967, the number of personnel engaged in postal service accounted for 42.57 per cent of the T/O of the personnel of the Ministry of Communications with 11,629. The number represented an increase of 163 per cent over 1960.

## Section 4. Managerial Results and Financial Status

### 1. Managerial results

As of the end of 1966, the total assets of the postal service stood at ¥34,854 million, the debt at ¥11,414 million, the capital at ¥23,440 million and the profit of the current term at ¥5,445 million.

### 2. Financial status

The overall financial scale of 1967 was ¥34,854,200,000, an increase of 55 per cent over the previous term.

In financial accounts, facilities surplus and facilities defrayment increased by 65 per cent and 167 per cent respectively. There was no change on the amount of fixed capital.

The profit of the current term showed an increase of 308 per cent over the previous term.

## Section 5. Independent Accounting System

The basic principle of the Postal Service Special Account is the materialization of an independent accounting system. The system must also be realized in each field of postal service.

Here the need arises for research and study of problems relating to the determination of charge rates, raising of funds and independent disposition of profit.

## Chapter II. General Problems

Basic problems which must be solved in order to ensure development of postal service are:

- 1) Establishment of an independent accounting system
- 2) Renovation of mail item structure and the current charge system

- 3) Improvement of service
- 4) Increase of postal savings
- 5) Reasonable management of insurance installments and postal savings

## PART II. MANAGERIAL FIELDS

### Chapter I. Postal Service Fields

#### Section 1. Outline of Postal Service

##### 1. Internal mail service

With the economic, social and cultural advance made in recent years, the volume of mail service rendered has drastically increased. The number of items of mail handled by postal service in 1966 were 414 million, an increase of 7 per cent over the previous year. This means that 14.2 mails per citizen were handled. The annual rate of growth in the volume of mail since 1960 was 22 per cent.

##### 2. International mail service

International mail service has steadily been improved since the enforcement of modern mail service system in 1901 when the country became a member of the International Postal Union.

The volume of mail handled also has increased and today the country exchange mail with all the countries of the world except for Communist countries.

#### Section 2. Problems and Improvements

##### (Problem 1)

The classification system of general mail items is ambiguous and irrationality often grips determination of postal charge rates.

(Analysis of current status)

1. The current classification system was established 70 years ago. The postal charge rate system has failed to go beyond reflecting rises in commodity prices and take into consideration the diverse and varied requirements of the modern age.
2. The complicated classification system is often the cause of confusion and inconveniences for both the postal service and the customers. The ambiguity in the definition of Class 4 Matters, in particular, often causes the inclusion of Class 1 Matters in the Class 4 Matter category.
3. The standards and principles for the determination of mail categories are not clear, and the undermines sound classification of mail items.

Class 3 matters, for instance, are charged too lightly for their weight while increasing workload and decreasing postal revenue.

We must take a lesson from the tendency of foreign postal services to simplify the classification system.

4. The following must be taken into account in the establishment of a new classification standard:
  - 1) The dispatch and delivery of mail items are but a subsidiary function of postal service.
  - 2) Status of utilization of the mail service and its quality, contents and specifications of mail items.
  - 3) Convenience in utilization of mail service
  - 4) Limitation of volume and weight of mail items
  - 5) Standardization of workload

(Solutions)

1. Establishment of a parcel-post card system
2. Readjustment of mail item classification system
  - a) Abolishment of business paper category

- b) Classification of small parcels, samples and models under a single category
  - c) Inclusion of seeds of farm goods under Class 4 matter category
3. Simplification of postal charge rate system
- a) Research on principle of comprehensive cost
  - b) Research on progressive weight classification system
  - c) Readjustment of classification system pertaining to Class 3 Matters
  - d) Charge-free service for literature for the blind
4. Classification of general mail matters into priority Handling category (Classes 1 and 2 Matters and newspapers) and Ordinary Handling category (Classes 3 and 4 Matters); research on special privileges for large quantity mail items and limitation of volume and weight on basis of the Universal Postal Convention.

(Problem 2)

Considerations must be made for the improvement of postal service through modernization of facilities and more effective operational policies.

Problem

A. Conditions must be introduced and objectives must be set for the establishment of postal service standards.

(Analysis of current status)

1. In order to increase public confidence in postal service and establish a responsible service system, it is necessary to establish a postal service standard. This requires research regarding the managerial form and managerial results of the service as well as on the charge rate and mail item classification systems.



2. The general standard of the postal service of advanced foreign countries requires the delivery of Class 1 and 2 Matters, letters and other urgent mail items within the day after the mailing. There is, however, no universality in delivery speed in practice.

3. Postal service of Korea

- 1) As of March 31, 1967, the number of post offices was 1,731. This is equivalent to one postal office in each myon. The workload of each postal office, however, is vastly larger by comparison with the postal offices of foreign countries in terms of the size of population it takes care of.

The current system of one post office per myon makes a great contribution to regional development and the enhancement of cultural life. The heavy workload entailed by it, however, is often the cause of delay in mail delivery and increased expenditure.

- 2) As of June 30, 1967, the T/O of postal service officials stood at 11,629, which reflected an increase of 163 per cent over the 1960 level. The number, however, still fell far short of a standard capable of coping with mail volume, which increased by 212 per cent, and the degree of dependence on manpower, which increased by 69 per cent.

Irregular work hours and low compensation rates make the securing of qualified manpower extremely difficult. And there is scant opportunity for the training of postal service officials.

- 3) In 1966 the postal service handled 414 million mail items. Per capita utilization of mail by population amounted to 14.2 items in volume.
- 4) The transport and other facilities of the postal service still remain in a primitive state and their capacity is far below the standard required to meet today's demand for mail service.
- 5) The postal service strives to realize delivery of mail within the day following the date on mailing between cities. The realization of the system, however, must be preceded by improvement of its transport facilities and an cooperative attitude on the part of the population.

4. The status and degree of public utilization serves as the basis in the determination of service standard. Factors affecting the standard of postal service include harmonization of public utility and business. Service facilities, personnel, transport facilities and machinery are also closely related to the improvement of service standard.

(Solutions)

1. Research on establishment and realization of service standard
2. Exploration of means for standardization of workload
3. Improvement of collection and delivery system and of means of transportation
4. Study of possibility of introducing simplified postal service system from abroad

Problem

B. The obsolescence of the facilities of the postal service renders difficult disposition of the ever increasing volume of postal workload and hinder improvement of service.

(Analysis of current status)

1. In order to ensure greater speed and security of postal service, the introduction of improved equipment and facilities are necessary. And office buildings must be expanded to enable them to accomodate the imported equipments and facilities.

There are much rooms for mechanization of facilities where the classification and transportation of mail are concerned.

2. In order to handle the increasing mail volume (which increases at an average rate of 20 per cent a year), the Postal Service Bureau has formulated and is implementing a long-term plan for the mechanization of work process, improvement of postal office buildings, and improvement of transport facilities and other service equipments. The success achieved until now is extremely limited in scope.

(Solutions)

1. It is urgent to promote mechnization of work process through the implementation of a long-term stage-by-stage plan. The plan should be aimed at the realization of:

- a) A conveyor system
  - b) Mechanization of sorting and postmarking of mail items
  - c) Mechanization of classification process
  - d) Standardization of mail items
2. Improvement of office buildings should precede mechanization.
  3. Economical and effective equipment and facilities must be imported in order to boost work efficiency. This requires research by the Postal Service Bureau.

(Problem 3)

Deficient postal inspection system undermines the security and public confidence in postal service.

(Analysis of current status)

1. The technical and special character of postal accidents or crimes calls for constant specialized inspection and auditing. Therefore, it is necessary to institutionalize a postal inspection system endowed with a certain authority.
2. The postal inspection functions of the Ministry of Communications are divided among the Office of Planning and Control, Sections of the Postal Service Bureau and the Offices of Communications and lack coordination. This undermines prevention of accidents or crimes and limit the effectiveness of specialized inspection.
3. The postal services of the United States, Japan and the Philippines have powerful postal inspection agencies which inspect the whole process of postal service works.

(Solutions)

1. Creation of a postal inspection system for improvement of public confidence in postal service.
2. Establishment of a specialized inspection organization for prevention of postal accidents and crimes.

(Problem 4)

There are irrationalities in the management of consigned postal offices.

## Problem

A. There are no laws assuring the legal status of consigned postal offices.

(Analysis of current status)

1. The purpose of the Law for Establishment of Consignment Postal Office is to entrust part of the functions of the postal service to private citizens to the extent where public interests are not undermined in order to increase managerial efficiency and convenience of the general public. However, due to conflicts between the orders of public laws and civic laws and deficiency in supplementary regulations have caused irrationalities in the management of consigned postal offices.
2. The lack of supervisory regulations governing the personnel of consignment post offices leaves the means of the legal basis of supervision by the Minister of Communications in ambiguity.
3. There are no standard rules governing supervision over the work of consignment post offices.
4. There is no distinctive line drawn between the functions of the owner of a consignment post office designated by the Ministry of Communications and the head of the consignment post office who manages actual postal service.
5. The limited profitability of the operation of consignment post offices and the profit-seeking propensity of their operators often result in various illegalities, evasion of responsibilities and undermining of service quality.

(Solutions)

1. Inclusion of stipulation of means of supervision over personnel in the Consignment Post Office Personnel Regulations
2. Promulgation of general instructions for management of consignment post offices
3. Legal distinction of functions between owner and operator of consignment post office.
4. Determination of charge rates on basis of reasonable computation and in direction ensuring rational management

## Problem

B. There is no system governing personnel management in consignment post offices.

### (Analysis of current status)

1. The existing personnel regulations governing personnel management in consigned postal offices involve various difficulties in the implementation process because of a number of deficiency.

Article 9 of the Consignment Post Office Personnel Regulations, for instance, prevents the director of the Post Office concerned or the Minister of Communications from exercising powerful supervisory authority. The regulations leave room for the director of a consigned postal office to arbitrarily dispose of matters of major importance.

The status of the personnel of consigned postal offices as the staff of a public service is left in ambiguity. There are even the possibilities of the personnel resorting to group actions in wage disputes. Regulations governing wage are deficient and there is no regulation governing the training of the personnel.

### (Solutions)

1. The current system under which the personnel of consignment post offices are first appointed and then reported to the Minister of Communications should be substituted with a system under which the appointment of the personnel of consignment post offices is subject to approval of the Minister of Communications.
2. The personnel of consignment offices should be given clear-cut legal status.
3. Regulations governing the wage and training of the personnel of consigned postal offices should be enacted.

### (Problem 5)

There is no foreign postal money order service.

(Analysis of current status)

1. Despite our membership in the Universal Postal Convention and the Agreement on Postal Money Order and Postal Travelling Check, there is no foreign postal money order service evoking considerable inconveniences.
2. An adverse consequence of the lack of foreign postal money order service is the encouragement of inflow of foreign exchange and valuables in increasing volume by means in violation of the provision of Paragraph 8, Article 16 of the Universal Postal Convention. Tacit approval of this practice often causes the loss of the remitted money orders and mail items. Furthermore, inspection of the money orders and mail items necessarily entails waste in manpower and expenses and delay in mail delivery. The outflow of foreign exchange through this channel adversely affects national economy.

(Solutions)

1. Foreign postal money order service should be opened with countries with which large amounts of foreign exchange are currently transacted or expected to be transacted.

(Problem 6)

Public relations and propaganda activities in postal service are in a defective state.

(Analysis of current status)

1. The purpose of public relations and propaganda activities in postal service is to propagate understanding of the service and offer guidance on the utilization of the service to the general public. And as an enterprising Government agency, the postal service must also develop the source of its revenue through increased utilization of the service by the general public.

Due to the indifference of officials concerned and institutional deficiencies, the public relations and propaganda activities fail to accomplish the original objectives.

2. The public relations and propaganda activities which currently are entrusted to the Office of Public Information Officer and a few Sections of the Ministry of Communications are fragmentary and sporadic in nature and in need of coordination.

3. The activities were financed with only 0.8 per cent of the revenue of the Ministry of Communications during 1966. The percentage decreased further to 0.4 per cent in 1967.

(Solutions)

1. An organization entrusted with overall control over the propaganda and public relations activities should be inaugurated.
2. A Propaganda Section should be established when the Savings Insurance Bureau comes into being.
3. Propaganda fund should be increased and put to more effective uses.

(Problem 7)

Overseas sale of postage stamps is in extreme stagnation.

(Analysis of current status)

1. The distribution of the function of selling postage stamps at overseas between two private concerns and the Central Postal Office entails an unnecessary and harmful competition between the two.
2. The discount rate and allotment ratio of postage stamps to overseas dealers are determined in an irrational manner.
3. Other reasons for the stagnation of overseas sale of postage stamps are:
  - a) Ineffective and limited public information activities at overseas
  - b) Diverse sales agencies and their operation on small funds undermine foreigners' confidence in our postal service and hinders the formulation of a coordinated and unified sales policy.
  - c) Sales channels are extremely limited due to the small number of dealers operating on larger scales. The large number of transactions involving small amounts entails larger expenses.
  - d) The designs, printing and structure of postage stamps are poor in quality.

- e) The customs clearance requirement for the sale of postal stamps causes waste in time and expense.

(Solutions)

1. Overseas sales machinery for postage stamp should be unified and placed under the jurisdiction of the Minister of Communications.
2. Public information and information-collecting activities should be made effective.
3. Sales should be rationalized through readjustment of discount rates and of sales method.
4. Efforts should be made to improve the quality of postage stamps.

Chapter II. Postal Money Order, Insurance and Savings

Section 1. Outline of Postal Money Order, Savings and Insurance Services

1. Postal money order

The purpose of postal money order service is to handle works related to the remittance of money between remote points.

2. Postal savings service

- a) Since postal savings service is a public utility enterprise directly managed by the Government, it has, unlike city banks, the following characteristics:
- 1) Uniformity of offices handling work
  - 2) Full safety and reliability
  - 3) Acceptance of small deposits
  - 4) Public nature of postal savings capital
- b) Types of postal savings
- 1) Ordinary deposit



- 2) Time deposit
- 3) Children's deposit
- 4) Fixed amount deposit
- 5) National Savings Association deposit
- 6) Draft deposit
- 7) Time installment deposit

### 3. Insurance service

The primary objective of National Life Insurance managed by the Government is to promote national welfare through the management of the system as part of its social policy.

The types of postal insurance are life insurance, old-age insurance, educational insurance, employment insurance and self-help insurance.

### Section 2. Problems and Solutions

#### (Problem 8)

The control of savings and insurance affairs, which are basically different from postal service affairs, by the Postal Service Bureau is a basic cause of inefficiency in the Bureau's handling of postal service affairs.

#### (Analysis of current status)

1. Savings and insurance affairs are under the managerial jurisdiction of the director of the Postal Service Bureau. However, savings and insurance affairs and postal service affairs are different in nature, objective and procedure.
2. Savings affairs and insurance affairs are basically different in nature, objective and procedure. The only similarity between the two is that both deal in currency transaction.
3. Savings and insurance projects both play an important role in the mobilization of domestic capital for the development of national economy. They require more than the functional capacities of the Savings and Insurance Sections of the Postal Service Bureau to be effective.

4. The current system under which the Management Sub-section of the Money Orders and Postal Savings Section of the Postal Service Bureau controls and manages postal savings deposits and insurance installment payments is irrational.

(Solution)

1. The Money Order and Postal Savings Section and the Insurance Section of the Postal Service Bureau should be merged in order to separate their services from postal services.
2. A Savings Section, an Insurance Section, a Fund Management Section and a Propaganda Section should be established under the Savings and Insurance Bureau. A Public Health Section should be inaugurated in case welfare facilities are institutionalized.
3. The Money Order Sub-section of the Money Order and Postal Savings Section should be left under the jurisdiction of the Postal Service Bureau in view of the unique characteristics of its functions.

(Problem 9)

Due to the lack of an efficient managerial structure and a centralized operational system, postal savings and insurance installment funds, which are formed by the accumulation of small private capital, make little contribution towards the promotion of public welfare and regional development.

(Analysis of current status)

1. Significances of management of funds

Postal savings and insurance installment funds are raised as small private capital deposited with postal offices throughout the country. The funds, therefore, may be defined as debts owed by the Ministry of Communications to the general public.

The operation of the funds requires adherence to the following principles:

- 1) Promotion of public interest
- 2) Ensuring of security
- 3) Profit potential

## 2. Operational guideline and beneficiaries of loan

- a) Insurance installment fund is loaned on the basis of a plan outlining interest rates, ceilings of loans and types of business which would benefit from the loans by region, subject to screening by a management committee. The plan is formulated on the basis of yearly subscription status and insurance payment status by region,

The management of the National Life Insurance, Postal Pension Installments and the installments provided for under Article 3 of the Postal Insurance Management Decree covers:

- 1) Issue of loans to insurers, beneficiaries, pension holders or beneficiaries of pension
  - 2) Subscription to or purchase of national or local bonds
  - 3) Issue of loans to local autonomous groups
  - 4) Take-over or purchase of stocks of firms receiving Government investments or loans for economic development
  - 5) Subscription to or purchase of and issue of loans to public cooperatives, non-profit corporations (including educational corporations)
- b) A similar operational principle applies to the postal savings fund. The beneficiaries of loans made out of this fund are limited to local autonomous groups, public cooperatives, educational and other non-profit corporations.

The ceiling of loan to a single beneficiary is limited to ¥1 million. (In case the beneficiary is a local autonomous group the ceiling is ¥5 million.) Loans exceeding the ceilings of amount require recommendation of the Minister of Communications and approval of the Postal Savings Fund Management Committee.

## 3. Structure and functions of the Postal Savings Fund Management Committee

The committee is established to conduct investigation and screening on matters relating to the management of savings and insurance installment funds. Its chairman is the Minister of Communications and its members are appointed by the Minister of Communications from among high ranking Government officials.

Currently, the committee is composed of the Vice Ministers of Home Affairs, Finance, Agriculture and Forestry, and Communications, in addition to the chairman.

The consensus of public opinion is that the composition of the committee with such high-ranking officials makes the committee overtly bureaucratic and therefore inefficient. The fact is that the body exists in name only. It has even failed to hold a single meeting since its inauguration.

It is urgent for the committee to be converted into a more effective and practical organization.

#### 4. Analysis of fund operation status

- 1) As of the end of 1966, the amount of postal savings in deposit was ¥3,279,000,000 and insurance and postal pension deposits ¥1,708,571,031. The total amount of savings deposited with the Ministry of Communications stood at ¥4,987,571,031.

This amount was broken down as follows:

- a) Time savings deposits and monetary trusts (as governed by the Bank Law) 51.1 per cent
- b) Amount deposited with the Financial Fund Special Account 40 per cent

\*Thus approximately 90 per cent of the funds is operated in accordance with the exceptional clauses of the Postal Savings Fund Management Law.

- c) Direct investment in local autonomous groups and public projects 6.4 per cent
  - d) Purchase of Government and public bonds 0.8 per cent
- 2) The following irrationalities exist in the operation of the funds:
    - a) Despite the fact that postal savings funds are formed with small private capital, only 0.6 per cent of the total amount of funds is being channeled into regional development and the promotion of public welfare. And no loan has ever been granted to the utilizers of the postal savings service system.

The major cause of such a phenomenon is, of course, the low interest rate. There are other reasons, too:

- (1) Deficient administrative structure
- (2) Inverted monetary interest rates
- (3) Savings deposits with higher interest rates account for the bulk of the funds

Although the deposit of part of the funds with the Financial Fund Special Account does not conflict with the basic operational direction of the funds, it limits the functions of the Ministry of Communications to those of an agency of city banks.

- b) Ineffective loan procedures and delays in the operation of the funds are a result of the centralized management of the funds.

The inefficiency and delays are to be accounted for with:

- (1) In accordance with the legal provision that the Minister of Communications may entrust matters relating to the issue of loans to the head of the Regional Office of Postal Service in his jurisdiction the applicants for loans reside, the Management Sub-section is established in the Savings and Insurance Section with a staff of four. The amount issued in loans in 1966 through the regional offices was very small by comparison with the amount of loans issued by the central office.
- (2) Steps must be taken to readjust the centralized system in the issue and collection of loans and to entrust the works to the head of each postal office (Rank 3 Type B official) within a ceiling determined on the basis of past records of the postal office involved.

The adjusted system will have the following advantages:

- a) The head of local postal office is in a position to know what projects will be best for the development of his region and can easily investigate the productivity, profit potential and capital status of loan applicants. This will ensure a more secure chance for the recovery of issued loans.
  - b) Public relations activities on savings and insurance may be made effective.
  - c) More low interest savings deposits may be absorbed. The result will be an improvement in the financial status of the postal service.
  - d) An increase in postal savings deposits may be expected.
  - e) The delay in the operation of the funds resulting from the centralized operation system will be eliminated.
- (3) The administrative structure responsible for the operation of the funds should be improved and consolidated. It is necessary to promote the Management Sub-section of the Money Orders and Postal Savings Section to the status of an independent Management Section, supported by a Loan Sub-section, Appraisal Sub-section, Management Sub-section and Control Sub-section.
  - (4) Introduction of the system currently employed by city banks, under which a month's interest is deduced in advance at the time of the grant of loans.
  - (5) The functions and authority of the Postal Savings Fund Management Committee should be consolidated by appointing its members from among academic and business circle as well.

(Problem 10)

The classification of types of money orders and charge rate structure of the existing postal money order system do not harmonize with the diverse and varied requirements of today's society. They entail inconvenience to the public and undermine the development of postal money order service.

(Analysis of current status)

1. The characteristics of the postal money order service of today are:
  - 1) Great number of offices handling the service
  - 2) Simple utilizability and reliability
  - 3) Remittance of small amounts of money is possible.
2. Charge rates of postal money order service

Ordinary money order

Up to ₩500	₩ 30
Up to ₩1,000	₩ 50
Up to ₩2,000	₩ 70
Up to ₩3,000	₩ 90
Up to ₩4,500	₩110
Up to ₩5,000	₩130

Telegraphic money order

Up to ₩500	₩ 50
Up to ₩1,000	₩ 70
Up to ₩2,000	₩ 90
Up to ₩3,000	₩110
Up to ₩4,000	₩130
Up to ₩5,000	₩150

\* Charge rates for telegraphic money order service represent the addition of ₩20 for each rate category.

Small-amount money order

Up to ¥100	¥ 6
Up to ¥200	¥10
Up to ¥300	¥14
Up to ¥400	¥18
Up to ¥500	¥22

3. Charge rates for postal money order service is on principle not determined on the basis of computed costs but are determined from the viewpoint of public utility service.

Charge rates for ordinary postal money order service of the U.S., Britain and Japan are:

U.S.A.

<u>Amount remitted</u>	<u>Charge rate</u>
1 ¢ (¥2.75) to \$10 (¥2,750)	25 ¢ (¥69)
\$10.01 to \$50 (¥13,750)	35 ¢ (¥96)
\$50.01 to \$100 (¥27,500)	40 ¢ (¥110)

Britain

<u>Amount remitted</u>	<u>Charge rate</u>
Up to £ 10 (¥7,700)	2s (¥77)
£ 10 1d to £ 20 (¥15,400)	2s 2d (¥83)
£ 20 1d to £ 30 (¥23,100)	2s 4d (¥89)
£ 30 1d to £ 40 (¥30,800)	2s 6d (¥95)
£ 40 1d to £ 50 (¥38,500)	2s 8d (¥101)



## Japan

<u>Amount remitted</u>	<u>Charge rate</u>
Up to ¥1,000	¥ 40
Up to ¥3,000	¥ 50
Up to ¥5,000	¥ 60
Up to ¥10,000	¥100
Up to ¥30,000	¥150
Up to ¥50,000	¥200
Up to ¥70,000	¥250
Up to ¥100,000	¥300

As shown in the above tables, the charge rates are the lowest in Britain, followed by the U.S. and Japan. Our postal money order service charge rates are extremely high by comparison with those of Britain or the U.S.

4. The charge rates are higher even than the rates charged by banks for money remittance services. Banks charge ¥40 uniformly for the remittance of an amount up to ¥10,000, adding ¥20 to the rate for each ¥10,000 thereafter.
5. Thus, the current postal money order service system has a number of deficiencies by comparison with that of foreign countries and the money remittance service of banks at home.

### (Solutions)

A new charge rate structure must be adopted in order to offer public better money order services and improve the service system itself. In order to achieve that end:

1. Balance must be ensured between the charge rates of the postal service and banks for money remittance service.
2. The ceiling of remittance must be increased from the current ¥5,000 to ¥10,000.

3. The small-amount money order category should be abolished. The ordinary money order category should cover it as well.
4. The current remittance-designation system should be replaced with a payment-against-tender system in order to streamline workprocess.
5. A difference of ¥50 should be maintained between the charge rates of ordinary money orders and telegraphic money orders.

(Problem 11)

The National Life Insurance currently handled by postal offices has no backing of welfare facilities for insurers.

(Analysis of current status)

1. Under the Japanese rule which ended in August 1945, a number of welfare facilities for insurers such as medical centers were in active operation in major cities.
2. There are no medical facilities for insurers. The remnant of welfare facilities which existed in the old days in Masan, Iri and Inch'on are all that remains of the now defunct welfare functions. The sites, buildings and facilities of those institutes are rented to other organization.

(Solutions)

A state-operated insurance hospital should be rehabilitated in each province. In order to attain that end:

1. Regulations governing state-run life insurance hospitals must be enacted and an administrative agency -- the Public Health Section--must be established.
2. The facilities and sites of former medical facilities should be recovered for the rehabilitation of life insurance hospitals.
3. The new sites of life insurance hospitals should be selected on the basis of past insurance records, population status and the current availability of medical services.
4. The services of the rehabilitated hospitals should be offered to the general public as well as the utilizers of the postal insurance service.

(Problem 12)

Commission rates for insurance agents are too low by comparison with that offered by private insurance firms. This undermines the morale of the canvassers of postal life insurance.

(Analysis of current status)

1. The types of national life insurance now handled by post offices are:
  - a) Life insurance
  - b) Old-age insurance
  - c) Educational insurance
  - d) Job-site insurance
  - e) Self-help insurance
2. Although there are differences among commission rates for insurance canvassers offered by private insurance firms, the rates generally offered are:
  - a) Job-site insurance (Group insurance): 15/1000 to 20/1000 of insurance amount
  - b) Individual insurance (Life insurance, old-age insurance, educational insurance): 20/1000 to 25/1000 of insurance amount
  - c) Although regular monthly salary paid to an insurance canvasser is but ¥1,000 to ¥2,000, the income is sufficiently supplemented with the payment of the commission. Except for a few cases, the commission is paid at 6-month intervals.
3. The table below is a comparative study of commission paid to insurance canvassers by State- and privately-operated insurance firms.

### Comparison of State-run and Privately-run Insurance

Classification Type	State-operated Insurance			Privately Operated Insurance
	Monthly due	Compensation rate	Compensation amount	
Adult Insurance	¥300	96%	¥270	When monthly due is ¥500, the compensa- tion amount comes to an average of 400 per cent (¥2,000).
Educational Insurance	¥390	70%	¥273	
Job-site Insurance	¥800	60%	¥480	
Self-help Insurance		100%		

- a) Since commission paid to the canvasser of State-operated insurance is computed on the basis of monthly premium and that paid to the canvasser of privately operated insurance on the basis of insurance amount, direct comparison of the two is rendered difficult. In order to enable a comparative study, it is necessary to converse the insurance amount of privately operated firms into monthly premiums.
  - b) While commission is paid immediately by private insurance firms, a delay of three to four months is incurred in the case of State-run firms due to budgetary procedures.
4. With State-run insurance, commission rate is 90 per cent for adult insurances with an insurance term of 10 years or more and 100 per cent for self-help insurance with an insurance term of 5 years or less. This is absurd.

#### (Solutions)

1. Some sort of incentive must be devised to encourage insurance canvassing activities. Adjustment of commission rates is recommended as follows:

Type of Insurance	Current Commission Rate	Adjusted Commission Rate
Adult insurance	90%	150%
Educational insurance	70%	100%
Group insurance	60%	80%
Self-help insurance	100%	100%

2. Budgetary measures must be taken to ensure immediate payment of commission. Adoption of a system similar to that of temporary disbursement from other accounts now employed in the electric power service may serve as a solution.

(Problem 13)

The number of insurance workers is too small to handle the vast volume of insurance works. This situation is further confounded by the lack of training.

(Analysis of current status)

1. The personnel of the Ministry of Communications, currently engaged in insurance services throughout the country, number 672, of which only 186 are regular public officials and the remaining 486 are in temporary employment.
2. The majority of the personnel are congested in the Ministry of Communications, the Seoul Bureau of Savings and Insurance Management and the Regional Postal Offices of Seoul, Pusan, Kwangju and Taejon, limiting the scope of activities.
3. The rate of increase in the number of personnel responsible for insurance services by far lags behind the tempo of increase in the volume of insurance workload.
4. Furthermore, the majority of personnel are general administration officials.
5. Such situation demands intensification of training for incumbent officials as well as officials to be appointed in the future.

- a) Currently the training of Ministry of Communications officials is placed in the charge of the Communications Officials Training Center. However, against the classroom requirement of 25, only 8 classrooms are available today.
- b) Classes are organized in a varying manner each year.
- c) No training whatsoever is given to incumbent officials.
- d) The duration of training varies between 4 to 6 weeks every year.

(Solutions)

- 1. Steps must be taken to limit the number of temporary hire officials to the possible minimum and to transfer qualified persons to regular positions.
- 2. T/O limits must be drastically increased and insurance personnel must be assigned with all postal offices.
- 3. An Insurance Section should be established in post offices handling more than 1,000 cases of insurance for exclusive and specialized handling of the work.
- 4. The Communications Officials Training Center should intensify its training programs for insurance and savings personnel as follows:
  - a) Separation
  - b) Reorganization of the curricula. The 30 curricula taught currently are too vast in volume in view of the limited training period. A few select curricula should be taught instead.

(Problem 14)

Despite the heavy workload entailed by the postal service's acting as proxy for the Treasury in the collection of revenue, no commission whatever is received by the Ministry of Communications. This undermines the financial functions of the Ministry.

(Analysis of current status)

The followings functions are currently entrusted to the offices of postal services:

a) Sale of revenue stamps

Commission rates for the sale of revenue stamps differ for different sales stations.

- 1) When the function is performed by post offices, commission paid is 6 per cent of the sales.
- 2) When the function is performed by postage stamp sale stations, 5 per cent of the sales is paid as commission to the postal service and 1 per cent is deemed profit accruing to the sale activity.
- 3) Where a consignment postal office is involved, 6 per cent of the sale is deemed the own income of the postal office.

\* In 1966 revenue accruing the payment of commission for the sale of ₩1,334,284,000 worth of revenue stamps was ₩72,189,000.

b) Payment of salary and allowances to servicemen stationed in Vietnam

Same rate of fee as charged on transfer savings for this service. The charge is ₩10 up to the sum of ₩500, ₩14 up to the sum of ₩1,000, and ₩4 is added for every ₩1,000 thereafter.

c) Payment of public officials service pensions ₩10 is charged for this consignment service for the unit amount of ₩500. The charge rate diminished relatively as the amount handled increases.

d) Treasury revenue

Approximately ₩700 million is handled monthly by the postal service acting as proxy in locations where banking services are not available. Despite the vast amount of money handled by the postal service, no commission whatsoever is paid. This is a difficult system for a ministry handling heavy workloads with insufficient manpower.

2. Needless to say, under an independent accounting system expenses should be borne by the party benefitting from the works of accounting involved. It is unreasonable that the postal service should be made to bear the burden of the expenses.

(Solutions)

1. Expenses incurred in the performance of the entrusted functions, involving wages, office buildings, clothes,

supplies, travel expenses, communications charges, heating, saves, furnitures, equipment maintenance and risk allowances, should be computed and charged by the postal service as commission.

2. Minimum expenses are computed as follows on the basis of the performance records of 1966:

- 1) Revenue cases handled: 254,872 cases
- 2) Amount handled: W6,960,413,643
- 3) Charge (Commission): W26,657,300

The commission is approximately 6/100 of the total amount handled. The rate is minimum expenses barely sufficient to cover cost and property deprication. The rate is but one-tenth of the commission rate of 6/100 awarded to the sale of revenue stamps.

(Problem 15)

Problems existing in the Bureau of Savings and Insurance Management conflict with the principle of the rank system.

(Analysis of current status)

The organization of the Bureau is composed of 1 Bureau, 6 Sections and 25 Sub-sections. The personnel composition is; 1 Executive Administrator, 6 Sr. Administrators and 4 Administrators. This is in conflict with the present ranking system, for:

- 1) Such top-heavy system limits the chances of lower ranking officials for promotion and undermines their morale.
- 2) Under this system, the chiefs of sub-section are sometimes Administrators and at other times Administrative Assistants. Such set-up is likely to cause disharmony among sub-sections and undermine cooperation among them.
- 3) That Administrative Assistants are often placed in charge of more than 50 officials is bound to result in deficient administrative and supervisory performances.

(Solutions)

The posts of sub-section chief should be filled with Administrators. If it proves difficult for practical reasons, the number of Administrators should be increased at least to 12 from the present T/O of 4.



(Problem B)

The function currently performed by the Investigation Sub-section of the General Affairs Section is improper for a single subsection to handle in view of its excessive workload.

(Analysis of current status)

1. The sub-section has a staff of 43, of which 28 are regular officials and 15 temporary officials. In 1966 the investigation activities of the postal service are:

a) Number of postal offices	548
b) Number of cases investigated	14,566,167
c) Number of accidents	18,879

The figures show that the workload increased threefold over when the functions were in the charge of the Investigation Section.

2. The duties now performed by the Investigation Sub-section include:
  - a) It arranges reports received from postal offices by month, province and the serial number of postal offices and then opens them for comparison of the reports with daily accounting reports. Next they are classified by into document categories for computation by abacus.
  - b) Accidents and mistakes relating to entries in daily accounting reports and the evidences of receipts and payments as well as to payment ceilings.
  - c) Monthly accounting and preparation of cash receipts and payments evidences.
  - d) The staff members of the Investigation Sub-section often perform guidance functions in their frequent contact with the officials of other sub-sections.
  - e) It is absurd that such a sub-section as the Investigation Sub-section which is entrusted with an important function, should be subordinated to the General Affairs Section, a section of miscellaneous functions.

(Solution)

In view of the large size of the staff of the Investigation Sub-section, the quality and quantity of its functions it is necessary to promote the Investigation Sub-section to the status of an independent Investigation Section.

Problem

C. Persons with no experience in accounting often fill accounting posts at the Bureau of Savings and Insurance Management. This is a cause of inefficiency in the accounting functions of the office. The failure to pay an abacus operators, allowances also undermines the morale of personnel engaged in accounting functions.

(Analysis of current status)

1. The National Public Official Law is uniformly applied to the accounting experts assigned with the offices handling savings services and are appointed by the Ministry of Government Administration. Persons inexperienced in the handling of the abacus, even if they qualify in the Qualification Examinations for Rank 4 and Rank 5 Public Officials, are inadequate for handling savings services.
2. The majority of section and sub-section chiefs of the Bureau of Savings and Insurance Management are appointed from outside and, therefore, lack the capability to effectively perform guidance and supervisory functions in accounting field.
3. Abacus-handling skill is indispensable to the effective performance of accounting functions. This skill has been on the decline since May 1961 when the abacus allowance system was abolished. The rehabilitation of the system is necessary to boost morale among accounting officials and prevent them from seeking job elsewhere.

(Solutions)

1. Arrangement should be made for autonomous appointment of accounting officials on the part of the Bureau of Savings and Insurance Management. And emphasis must laid on abacus-handling skill in the examination and appointment process.
2. A closed system is preferable in personnel administration where such specialised technique is called for.

(Problem 16)

The rapidly increasing workload in savings and insurance field is more than can be handled by the limited manpower of the postal service. This gives rise to the question of mechanization of the work process.

(Analysis of current status)

1. The characteristics of the accounting and management functions of the Bureau of Savings and Insurance are:
  - 1) They are comprised of repetitive and monotonous actions for the most part.
  - 2) Internal restraints on cash accounting and the effects of managerial policy on the management of fund required both correctness and speed in the performance of the functions.
  - 3) That the standardization of unit work processes is possible gives rise to the possibility of mechanization of them.
2. The process of postal savings deposits comprises such duplicated functions as investigation, compilation and confirmation.
3. The followings should be taken into consideration in connection with the mechanization of the savings deposit process:
  - a) Upon the tendering of passbook by the customer, entries are made in the following books and papers:
    - 1) Postal savings deposit book
    - 2) Postal savings deposit report
    - 3) Savings passbook
    - 4) Daily report

Upon the mechanization of the process, entries may be made spontaneously in the following books and papers:

- 1) Postal savings deposit report
- 2) Savings passbook
- 3) Savings deposits and payments book
- 4) Daily report

- b) The Investigation Sub-sections of the Bureaus of Savings and Insurance Management are currently dependent on the abacus in the performance of their accounting functions. The system necessarily entails repetitions and duplications in the classification and compilation process. Upon the mechanization of the work process of the Investigation Sub-sections, the process will be simplified as follows:

- 1) Investigation, classification and compilation (Investigation Sub-section)
- 2) Confirmation and entry of amount handled daily in ledgers; comparison of daily amounts with the amount referred by the Investigation Sub-section for confirmation and filing of papers of evidence (Ledger Section)

The proof machine and the adding machine will be essential for the mechanization of the process.

- c) When the work process of the Ledger Section is mechanized, it will be simplified to:

- 1) Inspection of amounts printed on cumulative tape and papers of evidence by machines
- 2) Arrangement of ledgers in the order of the papers of evidence arranged in a serialized system for feeding into accounting computer

This will result in the printing once more of amounts on the documentary evidence as well as the date, cumulative total of the amounts and applicable interest rate. The memory device punched on the back of the ledger will permit monthly or yearly account-settlement with a few pages of ledgers.

Whether or not correct amounts are entered in ledgers can be confirmed through comparison of the figures machine-printed on the documentary records and the figures entered at the Investigation Sub-section. For the cumulative total of the amounts printed by machine is necessarily registered on cumulative tape. And the use of accounting computers will permit centralized filing of the ledgers of postal offices throughout the country.

4. The receptive process of insurance premium is identical with the receptive process of postal savings deposit where postal offices and the Investigation Sub-sections are concerned.

5. Accounting process involving Treasury revenue, money orders and others is similar to that of savings and insurance, with only difference in that entry in ledgers is not required here and it is sufficient with making entries in account books of account tables following correct investigation, classification and compilation. It will be enough to systemize the work process of the Investigation Sub-sections.

#### Equipment and budgetary requirements for mechanization

1. In view of the vast amount of budget required for mechanization of the work process of all post offices throughout the country, it will be feasible to mechanize, in initial stage, to introduce mechanization to the 36 postal offices now headed by Administrator-rank officials. In such case the requirements will be as follows:

Number of computers required: 36

Budgetary requirement:  $\$3,000 \times 36 = \$108,000$  (¥29,700,000)

2. In order to equip the Investigation Sub-sections with adding machines, the following actions will be required:

Budget:  $\$1,000$  (Unit price)  $\times 10 = \$10,000$  (¥2,750,000)

Number of machines: 10

\* In view of the inadequacy of proof machines to investigatory functions and their high price, they are excluded from consideration here.

3. For mechanization of the book-keeping process, the introduction of accounting computers will be required. However, not only the price of the machine is too high ( $\$30,000$  or ¥8,250,000 per unit), but also the introduction of the machine will require replacement of the current savings ledger and insurance premium collection card system with a new one. All in all, the budgetary requirement will amount to as high as ¥100 million.
4. Altogether, the mechanization of the work processes of the postal service will require the investment of ¥260 million.

#### (Solution)

In view of the fact that many a country of the world now employs a mechanized system in its postal service, it is urgent that we also mechanize the work process of our postal service. The rapidly increasing volume of the workload in savings and insurance fields, in particular, demands mechanization.

However, simultaneous mechanization will not be feasible for budgetary and technical reasons. Therefore, it is necessary to determine the order of priority for stage-by-stage mechanization of our postal service. Priority, for instance, should be given to savings service over insurance service, to the Bureaus of Savings and Insurance Management over postal offices.

### Chapter III. Budget and Accounting

#### Section 1. Outline of Budget and Accounting

1. The Communications Service Special Account has the characteristics both of public and business budgets.
2. Communication services had been financed in accordance with the provisions of the Communications Service Special Account Law and separately from the General Account until 1960. It was governed in 1961 and 1962 by the Temporary Measures Law for the Communications Service Special Account and placed under a project-by-project budget system. A business budget system was introduced in 1963 upon promulgation of the Business Budget Account Law.

#### Section 2. Problems and Solution

(Problem 17)

Irrationalities are found in formulation of the financial resources plan, distribution of financial resources and evaluation of budget execution.

(Analysis of current status)

1. Target amounts set on the basis of budgetary policy which disregards the principle of business accounting serve as standards for the formulation of the financial resources plan. Also, there lacks adequate statistical system or standard for correct computation of the volume of mail handled by the postal service. In short, there is no adequate standard for the formulation of a sound financial resources plan.
2. There is an unbalance among the revenue targets assigned to the services.
3. The arbitrary distribution of the revenue targets by central planning offices make the accomplishment of the targets impossible.

(Solutions)

1. Formulation of a financial resources plan based on the principle of business accounting.
2. Establishment of a sound statistics system for rational estimate of revenue targets.
3. Adjustment of revenue targets on the basis of past records of individual service fields.
4. Distribution of revenue targets through democratic process.

(Problem 18)

There is no standard for the separation of accounts among individual service fields and for the computation of service volumes.

(Analysis of current status)

1. The Communications Service Special Account comprehensively covers postal, telegraph and telephone, savings and insurance services. This, however, undermines the principle of the "bearing of burden by beneficiaries."
2. The profit transferred from the telegraph and telephone service lacks sound basis of computation and is not in the nature of commission.

(Solutions)

1. Account should be separated among individual service field.
2. A sound standard for the determination of workload assigned to each separated account field should be worked out.

(Problem 19)

No basic research for the realization of independent accounting system has been conducted.

(Analysis of current status)

1. Communications services have been in deficit operation since the promulgation of the Communications Service Special Account Law. The deficit had been on a large scale until an increase in charge rates was effected in 1966. The 1966 raise in communications service charge rate, however, failed to have any rational scientific basis.

2. The postal service has financed its long-term fund with profit transferred from the telegraph and telephone service. This practice violates the principle of autonomous mobilization of financial resources.
3. Article 29 of the Budget Account Law which provides for the transfer of all or part of surplus fund to the General Account hinders the realization of an independent accounting system.

(Solutions)

1. Legislation of a basis for rational determination of service charge rates.
2. Arrangement should be made to ensure autonomous raising of long-term funds through the issuance of bonds and long-term loans.
3. Proper adjustment of the Business Budget Account Law and the Budget and Accounting Law.

(Problem 20)

There is no working budget system in existence.

(Analysis of current status)

1. The Government's management of postal services entails various restraints on the service making difficult the realization of autonomous management or independence.
2. There is no specific provision in the Business Budget and Accounting Law which gives flexibility to budget management. Rather, the law governs the management of the Budget Account Law, leaving no choice to the postal service but to depend on the procedure provided for in it in its compilation and execution of budget.
3. The structure of profit and loss accounting is still in a deficient state and there are deficiencies in the disposition of property depreciation and arrangement of budgetary structure.
4. The budgetary control by the legislature and dual accounting system are restraints hampering the growth of postal services as a business.



(Solutions)

1. The existing laws should be amended so as a working accounting system may be established and autonomy in budget execution ensured.
2. The budgetary structure should be reorganized.
3. A greater flexibility should be given to the organization and execution of budget.

(Problem 21)

There is no criterion for cost distribution, an indispensable structural part of the cost computation system.

(Analysis of current status)

The general managerial expenses incurred by the postal service should be distributed among postal, telegraph and telephone and money order service fields. The current system of distribution, however, is devoid of objectivity, consistency and rationality.

(Solutions)

1. Determination of objective and consistent standards for cost distribution among similar services on the basis of reliable survey.
2. Application of such criteria will ensure sound cost computation and, therefore, must be institutionalized.